

Message Text

SECRET

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ACTION SS-25

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S E C R E T MOSCOW 3760

EXDIS

E. O. 11652: GDS

TAGS: PFOR, UR, IS, US

SUBJECT: SOVIET EDUCATION TAX

1. DURING DINNER FOR EX- IM BANK PRESIDENT KEARNS APRIL 4, I HAD BRIEF DISCUSSION WITH DEPUTY MINISTER OF FOREIGN TRADE ALKHIMOV ON EDUCATION TAX. ALKHIMOV RELATED THAT TAX HAD BEEN UNDER CONSIDERATION ABOUT TWO YEARS AGO BUT THEN SHELVED FOR REASONS WHICH HE DID NOT EXPLAIN. HE ADMITTED RUEFULLY THAT IT HAD BEEN A MISTAKE TO REVIVE IT AND TO ISSUE IT AS A GOVERNMENTAL DECREE. ACCORDING TO ALKHIMOV, NOBODY FORESAW THE DEEP RESISTANCE WHICH THE TAX WOULD ENGENDER ABROAD AND THE CONSEQUENCES IT MIGHT HAVE IN TERMS OF US- SOVIET RELATIONS. THE DEPTH OF FEELING IN THE US CAM ACROSS TO HIM VERY CLEARLY DURING HIS RECENT VISIT THERE TO ATTEND THE NAM MEETING IN WASHINGTON AND TO NEGOTIATE WITH THE EX- IM BANK ON CREDITS FOR THE USSR. HE INDICATED THAT AS A RESULT OF HIS FINDINGS, HE AND SOME OF HIS ASSOCIATES SENT CABLES BACK TO MOSCOW RE- COMMENDING FLEXIBILITY IN THE APPLICATION OF THE TAX, ESPECIALLY IN INSTANCES WHERE EXEMPTIONS COULD BE GRANTED.

2. IN RESPONSE TO QUERY, ALKHIMOV EXPRESSED SOME DEGREE OF CONFIDENCE THAT THE SOVIET GOVERNMENT WOULD CONTINUE TO TAKE A FLEXIBLE POSITION IN APPLYING THE TAX. HE NOTED THAT IT WAS DIFFICULT TO ABROGATE THE DECREE AND THAT THIS WAS NOT UNUSUAL WHERE A LEGISLATIVE BODY HAD BEEN INVOLVED. NEVERTHE- LESS, HE SAID, WAYS MUST BE FOUND ON OCCASION TO CIRCUMVENT LAWS WHEN THEY ARE CONTRARY TO OVERALL NATIONAL INTERESTS.

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3. COMMENT: ALKHIMOV SPOKE MORE OPENLY AND NON- POLEMICALLY ABOUT THIS ISSUE THAN ANY OTHER SOVIET OFFICIAL WITH WHOM THE QUESTION HAS BEEN RAISED. I HAVE NO REASON TO DOUBT THAT HIS CONVERSATIONS WITH AMERICANS -- BOTH OFFICIAL AND UNOFFICIAL -- DURING HIS VISIT PROVED A SOBERING EXPERIENCE. I ALSO HAVE NO REASON TO DOUBT THAT HE FEELS CONFIDENT ENOUGH OF HIS SUPERIORS AND TO PARTY OFFICIALS HERE IN MOSCOW. HE IS A GOOD EXAMPLE OF A PERSON WHOSE ORGANIZATION HAS A VESTED INTEREST IN THE EXPANSION OF US- SOVIET ECONOMIC AND FINANCIAL COOPERATION AND WHOSE VIEWS ARE VERY LIKELY LISTENED TO ON MATTERS CONCERNING HIS MINISTRY' S AREA OF RESPONSIBILITY.
DUBS

SECRET

*** Current Handling Restrictions *** EXDIS

*** Current Classification *** SECRET

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